

## § 1735.20

See RUS Bulletins 320-4, 321-2, 325-1, and 326-1.

### § 1735.20 Acquisitions.

(a) RUS finances the acquisition by a borrower of another system, lines, or facilities only when the acquisition is necessary and incidental to furnishing or improving rural telephone service. See 7 CFR 1735.13.

(b) RUS determines the amount it will lend for each acquisition. If the acquisition price exceeds this amount, the borrower shall provide the remainder.

(c) For additional policies on acquisitions, see subpart F through J of this part.

[54 FR 13351, Apr. 3, 1989. Redesignated at 55 FR 39395, Sept. 27, 1990, and amended at 58 FR 66253, Dec. 20, 1993]

### § 1735.21 Refinancing loans.

(a) Hardship loans and guaranteed loans may include funds to refinance outstanding indebtedness of corporations furnishing telephone service when such refinancing is necessary and incidental to furnishing or improving telephone service in rural areas. Refinancing may not constitute more than 40 percent of the loan.

(b) Loans for refinancing are not made solely to enable borrowers to obtain a lower interest rate or a longer amortization period. RUS requires borrowers, to the greatest extent possible, to liquidate outstanding indebtedness through the use of nonloan funds.

(c) If deemed necessary by RUS to provide itself with adequate security, RUS will consider loans for refinancing outstanding indebtedness secured by a lien on property offered as security for the loan, if the property covered by the lien is integral to the operation of the system.

(d) RUS will consider loans for refinancing when the borrower would otherwise be unable to meet payments on both the outstanding indebtedness and the loan as they become due.

(e) RUS may consider loans for refinancing in other situations.

[54 FR 13351, Apr. 3, 1989. Redesignated at 55 FR 39395, Sept. 27, 1990, and amended at 58 FR 66254, Dec. 20, 1993]

## 7 CFR Ch. XVII (1-1-97 Edition)

### § 1735.22 Loan security.

(a) RUS makes loans only if, in the judgment of the Administrator, the security therefor is reasonably adequate and the loan will be repaid within the time agreed. See 7 CFR 1735.18 and 7 CFR 1735.51.

(b) RUS generally requires that borrowers provide it with a first lien on all of the borrower's property. See 7 CFR 1735.46.

(c) In the case of loans that include the financing of telephone facilities that do not constitute self-contained operating systems or units (such as lines switched by other systems), the borrower shall, in addition to the mortgage lien on all of the borrower's telephone facilities, furnish adequate assurance, in the form of contractual or other security arrangements, that continuous and efficient telephone service will be rendered.

(d) The borrower shall provide RUS with a satisfactory Area Coverage Survey. See 7 CFR 1737.30 and 1737.31.

(e) RUS makes loans only if the borrower's entire system, including the facilities to be constructed with the proceeds of the loan, is economically feasible, as determined by RUS.

(f) Borrowers with loans approved prior to November 1, 1993, must continue to meet the TIER maintenance requirements contained in their loan contract or mortgage. Loan contracts and mortgages covering hardship loans, RUS cost-of-money loans, RTB loans, and guaranteed loans approved on or after December 20, 1993, shall contain a provision requiring the borrower to maintain a TIER of at least 1.0 during the Forecast period. At the end of the Forecast period, the borrower shall be required to maintain, at a minimum, a TIER at least equal to the projected TIER determined by the feasibility study prepared in connection with the loan, but not greater than 1.75. Execution and delivery of these loan contracts and mortgages shall supersede any conflicting TIER requirements in the borrower's previous loan contracts or mortgages.

(g) A borrower will not be required to raise its TIER as a condition for receiving a loan. Additional financial, investment, and managerial controls appear

in the loan contract and mortgage required by RUS.

[54 FR 13351, Apr. 3, 1989. Redesignated at 55 FR 39395, Sept. 27, 1990, as amended at 56 FR 26597, June 10, 1991; 58 FR 66254, Dec. 20, 1993]

**§§ 1735.23—1735.29 [Reserved]**

**Subpart C—Types of Loans**

**§ 1735.30 Hardship loans.**

(a) RUS makes hardship loans under section 305(d)(1) of the RE Act. These loans bear interest at a rate of 5 percent per year. To qualify for a hardship loan on or after November 1, 1993, a borrower must meet each of the following requirements:

(1) The average number of proposed subscribers per mile of line in the service area of the borrower is not more than 4;

(2) The borrower has a projected TIER (including the proposed loan or loans) of at least 1.0, but not greater than 3.0, as determined by the feasibility study prepared in connection with the loan, see 7 CFR part 1737, subpart H; and

(3) The Administrator has approved and the borrower is participating in a telecommunications modernization plan for the state, see 7 CFR part 1751, subpart B.

(b)(1) Hardship loan funds shall not be used to finance facilities located in any exchange of the borrower that has:

(i) More than 1,000 existing subscribers; and

(ii) An average number of proposed subscribers per mile of line greater than 17.

(2) Those facilities may, however, be financed with concurrent RUS cost-of-money and RTB loans or a guaranteed loan if the borrower is eligible for such financing.

(c) The Administrator may waive the TIER requirement in paragraph (a)(2) of this section in any case in which the Administrator determines, and sets forth the reasons therefor in writing, that the requirement would prevent emergency restoration of the telephone system of the borrower or result in severe hardship to the borrower.

(d) In order to fairly and equitably approve hardship loans to ensure that borrowers most in need receive hard-

ship financing first, RUS will prioritize for approval all applications qualifying for hardship loans. The criteria in this paragraph will be used by the Administrator to rank, from high to low, applications that have been determined to qualify for hardship financing. Subject to the availability of funds, applications receiving the highest number of points will be selected for loan approval each fiscal year quarter (the application with the most points will be approved first, the second highest next, etc.) The following ranking methodology and loan approval conditions apply:

(1) *Ranking criteria.* Borrowers will receive points based on each of the following criteria applicable to the proposed loan:

(i) *Forecasted Average Number of Subscribers Per Mile of Line (Density).* The number of points assigned to a borrower will be the value 4 less the value of the borrower's forecasted density as determined by the Feasibility Study prepared in connection with the loan (i.e., if a borrower's forecasted system density is 2.75, the borrower would receive 4 less 2.75 points, or 1.25 points).

(ii) *Forecasted TIER.* The number of points assigned to a borrower will be the value 3 less the value of the borrower's forecasted TIER as determined by the Feasibility Study prepared in connection with the loan (i.e., if a borrower's forecasted TIER is 1.75, the borrower would receive 3 less 1.75 points, or 1.25 points).

(iii) *Unserved Territories.* Borrowers will receive points for loan funds included in the application to provide telephone service in areas previously unserved because it was considered cost prohibitive (for example, high costs resulting from the terrain, remoteness, or system design). In particular, borrowers will receive one tenth of a point, up to a maximum of 2 points, for each subscriber added (in connection with the loan) that currently resides in an unserved area.

(iv) *Plant Modernization.* Borrowers will receive 1 point for loan funds included in the application for at least one of the following basic plant modernizations or system improvements: